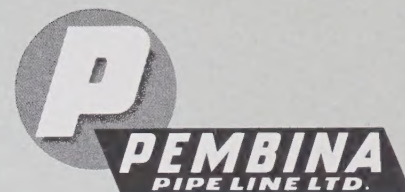


FIFTEENTH
ANNUAL
REPORT
1969



DIRECTORS

E. Connelly	<i>Calgary, Alberta</i>
E. W. Costello	<i>Calgary, Alberta</i>
F. P. Mannix	<i>Calgary, Alberta</i>
J. A. McDonald	<i>Calgary, Alberta</i>
B. L. Montgomery	<i>Calgary, Alberta</i>
A. D. Nesbitt	<i>Montreal, Quebec</i>

OFFICERS

E. W. Costello	<i>Chairman of the Board</i>
J. A. McDonald	<i>President and General Manager</i>
E. Connelly	<i>Vice-President</i>
W. G. Gray	<i>Controller and Assistant Secretary</i>
W. G. O'Rourke	<i>Secretary</i>
J. T. Wood	<i>Treasurer</i>
A. J. Emsley	<i>Assistant Secretary</i>

CORPORATE INFORMATION

Head Office	<i>300 - 9th Avenue S.W., Calgary, Alberta</i>
Field Offices	<i>Post Office Box 330, Drayton Valley, Alberta</i> <i>Post Office Box 579, Redcliff, Alberta</i>
Transfer Agent and Registrar	<i>Montreal Trust Company, Calgary, Alberta</i>
Bankers	<i>The Royal Bank of Canada, Calgary, Alberta</i>
Solicitors	<i>Saucier, Jones, Peacock, Black, Gain, Stratton & Laycraft, Calgary, Alberta</i>
Auditors	<i>Peat, Marwick, Mitchell & Co., Calgary, Alberta</i>

15th ANNUAL REPORT 1969

HIGHLIGHTS

	<u>1969</u>	<u>1968</u>
FINANCIAL		
Gross operating revenue	\$10,146,000	\$8,950,000
Net flow of funds from operations	6,348,000	5,837,000
per common share	3.78	3.47
Net earnings	2,518,000	1,735,000
per common share	1.48	1.01
OPERATING		
Crude oil transmission		
Average daily pipe line deliveries		
Barrels per day	130,590	120,970
Oil and gas production		
In equivalent daily barrels	2,990	2,300
Net acreage at year end	1,418,608	1,117,371

REPORT TO THE SHAREHOLDERS

The Directors are pleased to submit the 15th Annual Report covering the results of operations for the year ended November 30, 1969.

Financial

Operating revenue in the year was \$10,146,000 as compared to \$8,950,000 in 1968. This gain of 13% was attributable to the increased pipe line throughputs and higher oil and gas production revenue due to the reflection of a complete year's production from developed properties purchased in May, 1968 and production obtained from drilling during the year.

Operating expenses, including exploration, non-productive drilling and abandonments amounted to \$3,215,000 compared to \$3,795,000 for the previous year. Although expenditures for operating, exploration and non-productive drilling increased, this was more than offset by reduced non-cash charges for land surrenders.

Net earnings for the year were \$2,518,000 or \$1.48 per common share after provision for dividends on preferred shares. Comparative earnings for 1968 were \$1,735,000 or \$1.01 per share. No current income taxes are payable as sufficient oil and gas exploration and development expenditures were incurred in this year and prior years to offset current income.

Pipe Line Operations

Pipe line throughputs for the year averaged 130,590 barrels per day, an increase of 8% when compared with the previous year. During the last quarter of the fiscal year throughputs averaged 136,800 barrels per day.

PIPE LINE RECEIPTS		
Fields	1969	1968
Pembina	43,750,000	40,412,000
Willesden Green	2,730,000	2,890,000
Bigoray	156,000	176,000
Cyn Pem	370,000	400,000
Edson	275,000	391,000
Niton	181,000	—
Brazeau	203,000	—
	<u>47,665,000</u>	<u>44,269,000</u>

Two 25 mile, 4 inch pipe line extensions were completed in April to service crude oil production from the Niton field and condensate production from the Brazeau River gas field. Receipts from these two fields have added approximately 1,600 barrels per day to the pipe line throughputs. Four miles of new lines were added during the year to tie in new production within the Pembina and Willesden Green fields.

OIL AND GAS OPERATIONS

Drilling

In 1969 your Company participated in the drilling of 53 exploratory and development wells resulting in 29 completions and 24 dry holes. Two of the dry holes were drilled on farm-out lands at no cost to the Company.

The main drilling activity during the year was in the Butte area of Southeastern Saskatchewan where the Company participated in the drilling of 7 exploratory and 20 development wells resulting in the completion of 16 oil wells (3.4 net).

In other areas of Saskatchewan 2 oil wells were drilled and completed in the Elmore area, and 2 wells were drilled and abandoned in the Chambery area.

In Alberta 7 gas wells were completed; 4 in the Medicine Hat area; 2 in the West Provost area and 1 in the Blackfoot area east of Calgary.

In other areas of Alberta 2 oil wells were completed; 1 in the Rainbow area and 1 in the Ferrier area north of the Strachan-Ricinus fields.

In British Columbia 4 wells were drilled in the Inga area resulting in the completion of 2 oil wells.

SUMMARY OF WELLS DRILLED IN 1969

	<u>Oil</u>	<u>Gas</u>	<u>Dry</u>	<u>Total</u>
Exploratory				
Gross	2	1	14	17
Net	0.7	0.3	3.3	4.3
Development				
Gross	20	6	10	36
Net	4.3	2.2	2.5	9.0
Totals				
Gross	22	7	24	53
Net	5.0	2.5	5.8	13.3

Production

Crude oil production for the year ended November 30, 1969 averaged 2,262 barrels per day as compared to 1,620 barrels per day for the year ended November 30, 1968. Natural gas sales were up 33 million cubic feet over the previous year. Stated on an oil equivalent basis this is an average of 2,990 barrels per day in 1969 compared to 2,300 barrels per day in 1968.

Approximately one half of this increase is due to the inclusion of a full year's production from the producing oil and gas properties purchased mid-way through 1968. The other half is due to the production obtained from successful drilling in the areas of Butte in Saskatchewan, Rainbow in Alberta and South Inga in Northeastern British Columbia.

SUMMARY OF PRODUCTION

For the Year Ended November 30, 1969

		1969 Bbls.	1968 Bbls.
Oil Fields			
Pembina	Alta.	171,949	113,838
Sturgeon Lake South	Alta.	113,922	123,268
Mitsue	Alta.	68,823	49,996
Swan Hills	Alta.	54,181	53,341
Willesden Green	Alta.	40,308	40,928
Medicine River	Alta.	28,302	38,986
Rainbow	Alta.	24,745	476
Illerbrun	Sask.	80,542	54,097
Butte	Sask.	70,444	4,461
Elmore	Sask.	42,849	26,045
Hastings	Sask.	8,623	8,533
Boundary Lake	B.C.	41,629	40,851
South Inga	B.C.	39,727	15,961
Other		39,610	21,119
		<u>825,654</u>	<u>591,900</u>
		Mcf.	Mcf.
Gas Fields			
Medicine Hat	Alta.	3,053,867	3,084,389
Stevville-Cessford	Alta.	973,697	1,005,180
Crossfield Turner Valley	Alta.	469,911	236,859
Jedney-Beg	B.C.	426,221	288,094
Other		381,984	363,109
		<u>5,305,680</u>	<u>4,977,631</u>

Land and Exploration

During the year your Company increased its activity in bidding on Crown Lands in British Columbia, Alberta, Saskatchewan and the Yukon Territory.

The foothills trend from the United States border through Alberta and into North-eastern British Columbia as shown on the map on page 6 saw increased industry activity in the past year. Specifically, new oil and gas reservoirs were discovered at Strachan-Ricinus and several seismic crews were operating northwest toward Grande Prairie. Your Company participated in this trend by acquiring a 50% interest in 51,840 reservation acres at Bolton Creek in the Grande Cache area of Alberta and varying interests in permit acreage at Robertson Creek, Kelly Lake, Fort St. John and Cameron River in Northeastern British Columbia.

SUMMARY OF ACREAGE HOLDINGS

	Gross Acreage		Net Acreage	
	1969	1968	1969	1968
Alberta	562,576	563,703	218,414	208,962
British Columbia	504,142	429,618	157,657	124,881
Saskatchewan	112,198	123,905	40,406	31,775
Mackenzie Delta	90,864	90,864	90,864	90,864
Yukon Territories	806,040	—	250,378	—
Arctic Islands	660,889	660,889	660,889	660,889
	<u>2,736,709</u>	<u>1,868,979</u>	<u>1,418,608</u>	<u>1,117,371</u>

At Berland River in Alberta and in the Fort St. John area of British Columbia drilling is under way on seismic leads developed during the year.

The permit at West Petitot in British Columbia near the Northwest Territories border has been farmed out and is currently being drilled as a follow-up to seismic work done by the farmee this year.

INDEX TO PROPERTIES

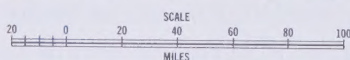
No.	Name	Gross Acres	Net Acres
1.	West Petitot	27,700	6,925
2.	Elvie Lake	10,613	2,653
3.	Pocketknife	43,195	21,598
4.	Nig Creek	32,561	16,281
5.	Robertson Creek	13,936	4,465
6.	Cameron River	35,777	17,889
7.	Attachie	31,797	15,899
8.	Hudson Hope	43,775	14,592
9.	Pine River	89,487	29,829
10.	Lone Prairie	44,268	14,756
11.	Kelly Lake	36,638	12,213
12.	Bolton Creek	51,840	25,920
13.	Berland River	14,080	1,557
14.	Brazeau	12,800	6,720
15.	Ferrier	10,080	5,040
		<u>498,547</u>	<u>196,337</u>

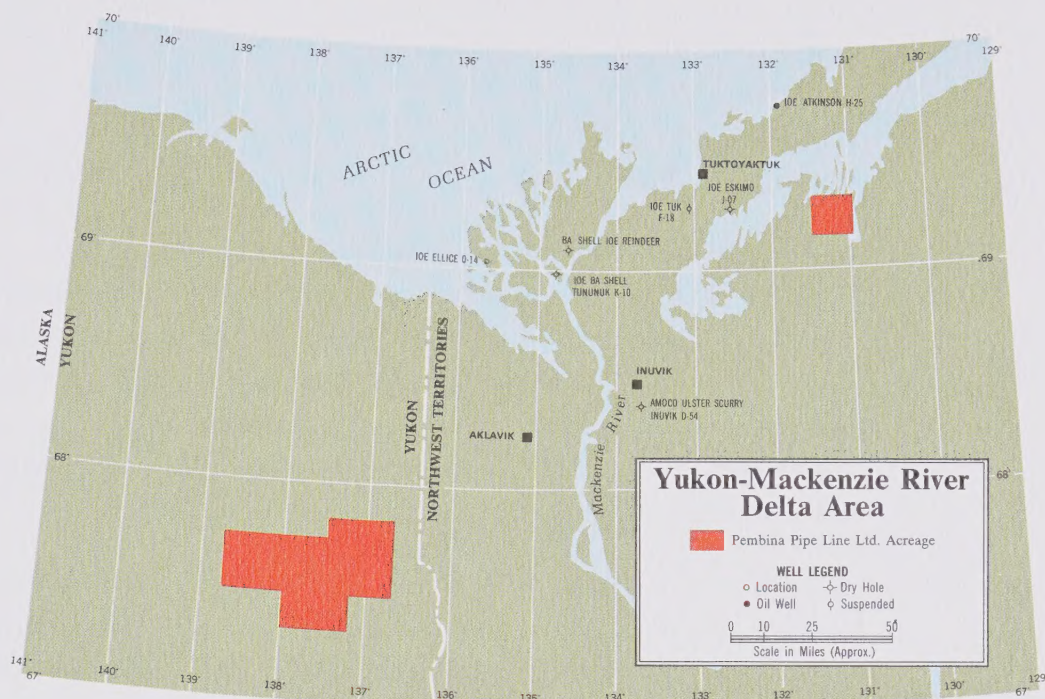
B R I T I S H
C O L U M B I A

A L B E R T A

Land Holdings in the Foothills Trend

- Acreage acquired in 1970
- Acreage acquired in 1969
- Acreage acquired in prior years





In January, 1969 your Company acquired a one-third interest in 341,000 permit acres in the Bell River area of the Yukon Territory. This area as shown on the above map is southwest of the Company's 100% owned permit blocks in the Mackenzie Delta area. During the year additional acreage was added in the Bell River area and additional exploratory work is scheduled for the summer of 1970 on this expanded acreage block of 806,000 acres.

In January, 1970 Imperial Oil Ltd. announced that oil had flowed to the surface at its Atkinson Point Well, 50 miles northeast of Tuktoyaktuk near the Arctic Coast. This discovery well is located 25 miles northwest of your Company's 100% owned permits comprising 90,864 acres in the Mackenzie Delta area. Although the commercial importance of this find is presently unknown it has been considered significant by the industry and will definitely increase exploration and drilling activity in this area.

Industry interest and activity has also increased in the Arctic Islands where the Company's acreage has been farmed out to Panarctic Oils Ltd. Both of these areas are located in potentially high-productive basins.

During the year net additions to acreage holdings amounted to 867,730 gross acres and 301,237 net acres. At year end your Company had an interest in 2,736,709 gross acres and net holdings were 1,418,608 acres.

Industry Outlook

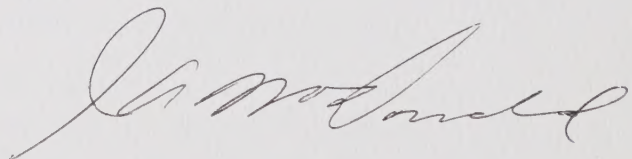
The year 1969 ended a decade of significant industry progress and achievement. Canadian crude oil daily production and remaining reserves have more than doubled in the 10 year period and gas sales have trebled over the same period. Exports of liquid hydrocarbons and natural gas have increased approximately 500% since 1960. Despite the increase in exports of crude oil, Canada still remains a net importer of crude oil; however, the net deficit in supply versus demand has been reduced from 280,000 barrels per day in 1960 to 150,000 barrels per day in 1969.

As the Industry enters the 1970's, the trend during the '60's is forecast to continue unabated and the level of oil and gas production is expected to increase at the same rates during the next decade. This belief is supported by two main factors; firstly, the delivery of crude oil into the Chicago area in 1970 which has had a dramatic effect on the nominations for Western Canadian crude oil production in the first quarter of 1970, and secondly, increased demands for Canadian natural gas in the United States midwest industrial area, to serve markets not presently being served by Canadian natural gas supplies.

The continuing growth in demand will require increasing emphasis on exploration in new areas. Considerable reliance will be placed on reserves to be developed in northern Canada and this is obvious from the increased activity in the north over the past 3 years. Your Company has been active in acquiring acreage in areas that we feel are potential areas for exploration and development in the near future and continued emphasis will be given to expanding the Company's holdings in areas of probable early development in order to share in the increased demand.

Your Directors wish to express their appreciation to all employees for their continuing enthusiasm and efforts on behalf of the Company.

On behalf of the Board

A handwritten signature in dark ink, appearing to read "J. McDonald", is written over a light blue horizontal line.

President

Calgary, Alberta
February 5, 1970

PEMBINA PIPE LINE LTD.
and Subsidiary Companies

**CONDENSED STATEMENT OF FINANCIAL
AND APPLICATION OF FUNDS**

YEAR ENDED NOVEMBER 30, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
SOURCE OF FUNDS:		
Funds derived from current operations before charges for depreciation, depletion, amortization, abandon- ments and provision for deferred income taxes	\$6,347,724	\$ 5,836,582
Production loan less amount shown as current liability	—	3,220,000
	<u>\$6,347,724</u>	<u>\$ 9,056,582</u>
 APPLICATION OF FUNDS:		
Net additions to carrier property, land, leases, wells and other equipment	\$3,033,692	\$ 9,866,641
Sinking fund payments	1,211,000	940,500
Production loan payments	1,168,800	453,800
Payment of prior year's income tax and interest	—	318,401
Dividends on preferred shares	48,634	54,712
Other items	644	1,213
	<u>\$5,462,770</u>	<u>\$11,635,267</u>
Increase (Decrease) in working capital	<u>\$ 884,954</u>	<u>\$ (2,578,685)</u>
Working capital deficit	<u>\$1,976,773</u>	<u>\$ 2,861,727</u>

See accompanying notes to financial statements

PEMBINA PIPE LINE LTD.
and Subsidiary Companies

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
FIXED ASSETS, at cost:		
Investment in carrier property, land, leases, wells and other equipment	\$58,863,307	\$55,989,807
Less accumulated depreciation, depletion and amortization	19,396,286	16,920,497
	<u>39,467,021</u>	<u>39,069,310</u>
Operating oil supply	485,572	485,572
	<u>39,952,593</u>	<u>39,554,882</u>
INVESTMENTS, at cost:		
Bonds and shares of other companies	243,619	243,619
CURRENT ASSETS:		
Cash	44,699	6,105
Accounts receivable:		
Trade accounts	940,747	804,512
Others	56,850	126,956
Funds held by trustee	2,206	2,206
Materials and supplies, at cost	25,735	25,764
Deposits and prepaid expenses	93,131	101,044
	<u>1,163,368</u>	<u>1,066,587</u>
DEFERRED CHARGES:		
Unamortized discount on funded debt	20,088	32,187
Organization expenses	31,468	30,824
	<u>51,556</u>	<u>63,011</u>
GOODWILL AND OTHER INTANGIBLES,		
less amounts written off	463,017	505,399
	<u>\$41,874,153</u>	<u>\$41,433,498</u>

Approved on behalf of the Board:




Director

Director

	<u>1969</u>	<u>1968</u>
LONG-TERM DEBT:		
Funded debt less current maturities (Note 1)	\$ 2,781,000	\$ 3,867,000
Production loans less current portion (Note 2)	4,005,673	5,174,473
	<u>6,786,673</u>	<u>9,041,473</u>
CURRENT LIABILITIES:		
Demand bank loans	785,000	1,825,000
Accounts payable and accrued charges	884,591	662,043
Interest accrued on funded debt	10,700	12,671
Sinking fund payments due within one year, less bonds, debentures and preferred shares held by the company . .	291,050	259,800
Production loan payments due within one year	1,168,800	1,168,800
	<u>3,140,141</u>	<u>3,928,314</u>
DEFERRED TAXES ON INCOME (Note 4)	<u>8,057,603</u>	<u>6,918,603</u>
SHAREHOLDERS' EQUITY:		
Capital stock:		
5% Cumulative redeemable first preferred shares of a par value of \$50 each (Note 3)	850,000	975,000
Common shares:		
Authorized: 4,000,000 shares of a par value of \$1.25 each		
Issued: 1,665,032 shares	2,081,290	2,081,290
	<u>2,931,290</u>	<u>3,056,290</u>
Capital redemption reserve fund	1,025,000	900,000
Paid-in surplus	510,710	510,710
Retained earnings	19,422,736	17,078,108
	<u>23,889,736</u>	<u>21,545,108</u>
	<u>\$41,874,153</u>	<u>\$41,433,498</u>

See accompanying notes to financial statements

PEMBINA PIPE LINE LTD.

and Subsidiary Companies

YEAR ENDED NOVEMBER 30, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Income:		
Revenue from operations	\$10,146,061	\$8,949,547
Income from investments	74,949	70,742
	<u>10,221,010</u>	<u>9,020,289</u>
Expenses:		
Operating, including exploration, non-productive drilling and abandonments	3,214,731	3,794,533
Interest and discount on long-term debt	671,451	550,393
Other interest, net	67,385	(122,896)
Amortization of goodwill ✓	42,382	39,234
Depreciation and depletion ✓	2,567,799	2,218,257
	<u>6,563,748</u>	<u>6,479,521</u>
Net earnings before the following	3,657,262	2,540,768
Provision for future years' income taxes (Note 4) ✓	1,139,000	806,000
Net earnings ✓	<u>\$ 2,518,262</u>	<u>\$1,734,768</u>

See accompanying notes to financial statements

PEMBINA PIPE LINE LTD.
and Subsidiary Companies

YEAR ENDED NOVEMBER 30, 1969
(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Balance beginning of year	\$17,078,108	\$15,669,286
Add net earnings for the year	2,518,262	1,734,768
	<u>19,596,370</u>	<u>17,404,054</u>
 Deduct:		
Dividends paid on 5% cumulative redeemable first preferred shares	48,634	54,712
Transfer to capital redemption reserve fund re redemption of preferred shares	125,000	125,000
Excess of payment of prior year's income tax and interest over related provision for deferred income tax	—	146,234
	<u>173,634</u>	<u>325,946</u>
Balance end of year	<u><u>\$19,422,736</u></u>	<u><u>\$17,078,108</u></u>

See accompanying notes to financial statements

PEMBINA PIPE LINE LTD.
and Subsidiary Companies

NOVEMBER 30, 1969

1. Funded Debt, subject to sinking fund requirements:

	<u>1969</u>	<u>1968</u>
First Mortgage Bonds:		
4¾ % Series "A" due December 1, 1971	\$ 409,000	\$ 859,000
4½ % Series "B" due October 1, 1973	752,000	939,000
6 % Series "C" due December 1, 1974	838,000	980,000
Debentures:		
5% Series "A" due December 1, 1972	500,000	676,500
5% Series "B" due October 1, 1974	665,000	749,000
6% Series "C" due December 1, 1975	67,500	67,500
	<u>3,231,500</u>	<u>4,271,000</u>
Deduct:		
Securities required for current sinking fund payments (current liability)	217,500	192,000
Securities acquired for current sinking fund payments	58,000	79,000
Securities acquired to meet other than current sinking fund payments	175,000	133,000
	<u>\$2,781,000</u>	<u>\$3,867,000</u>

Bonds and debentures amounting to \$768,500 were delivered in advance of the sinking fund requirements in 1969. (1968 — \$772,000).

The trust deeds securing the first mortgage bonds and debentures place certain restrictions upon the payment of dividends on the common shares of the company and upon the redemption or repayment of any capital stock.

2. Production Loans

Production loans consist of demand bank loans in the amount of \$5,174,473 which loans will be repaid at a rate sufficient to retire \$1,168,800 by November 30, 1970. These loans are secured by certain of the company's interests in petroleum and natural gas properties and an assignment of the interest in the gas purchase contracts applicable to the pledged natural gas interests.

3. Preferred Shares

	<u>1969</u>	<u>1968</u>
5% cumulative redeemable first preferred shares of a par value of \$50.00 each: Authorized: 60,000 shares		
Issued: 40,000 shares	\$2,000,000	\$2,000,000
Less redeemed: 1969 — 20,500 shares	1,025,000	—
1968 — 18,000 shares	—	900,000
	<u>975,000</u>	<u>1,100,000</u>
Less sinking fund payment due within one year	125,000	125,000
	<u>\$ 850,000</u>	<u>\$ 975,000</u>

The company may at its option redeem the whole or any part of the 5% cumulative redeemable first preferred shares on not less than 30 days' notice at par value plus a premium of 1.25% to December 1, 1970 and .5% premium to December 1, 1972, after which no premium is payable upon redemption.

4. Income Taxes

In accordance with the Income Tax Act the company is permitted, for tax purposes, to claim depreciation in amounts other than those provided in its accounts and also to deduct the cost of petroleum and natural gas interests. Accordingly, tax deferrals have been effected during the year and have been treated in the accounts as a charge against earnings and a credit to deferred taxes on income.

5. Basis of Consolidation

Included in the consolidated statements are the accounts of all subsidiary companies, each of which is wholly-owned.

6. Remuneration of Directors and Officers

The remuneration paid to directors and senior officers of the companies for the year ended November 30, 1969 was \$149,165.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Pembina Pipe Line Ltd. and its subsidiaries as of November 30, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at November 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.
January 19, 1970.

Peat, Marwick, Mitchell & Co.
Chartered Accountants.

TEN YEAR REVIEW

FINANCIAL (In thousands of dollars)

	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
Gross revenue . . . \$	10,146	8,950	8,109	7,478	7,455	7,073	6,290	6,397	6,731	5,974
Net flow of funds from operations . \$	6,348	5,837	5,373	4,666	4,842	4,808	3,055	2,857	2,985	2,761
per common share . . . \$	3.78	3.47	3.19	2.76	2.94	2.94	1.85	1.72	1.80	1.67
Net earnings* . . . \$	2,518	1,735	1,478	1,428	1,472	1,544	1,370	1,359	1,452	1,324
per common share . . . \$	1.48	1.01	.85	.82	.86	.91	.80	.79	.85	.77
Capital expenditures . \$	3,034	9,867	3,452	3,540	5,465	4,307	1,389	1,245	1,391	1,652
Investment in fixed assets at year end – at cost . . . \$	59,349	56,475	47,767	45,121	41,694	36,345	32,223	30,897	29,702	28,361
Long term debt less current maturities at year end . . . \$	6,787	9,041	7,091	8,776	10,047	9,308	9,574	10,829	11,936	13,087

OPERATIONS

Pipe Line:

Average deliveries – barrels per day .	130,590	120,970	117,120	114,430	118,270	120,850	116,740	113,580	121,550	110,400
Miles of line built in year	54	6	4	12	39	37	32	51	58	58
Miles of line system at year end . . .	985	931	925	921	909	870	833	814	763	706

Oil and Gas:

Production –

Crude oil and natural
gas liquids –
net barrels . . .

825,700 591,900 300,000 201,300 122,100 14,000

Natural gas sales –

billion cubic feet .

5.31 4.98 5.11 4.21 3.77 1.49

Oil and equivalent
gas –

barrels per day . .

3,000 2,300 1,500 1,100 850 250

Wells drilled – gross .

53 34 13 15 15 –

Wells net at year end:

Oil

59 55 30 23 17 10

Gas

53 51 49 46 39 8 6

Acreage at year end:

Gross

2,736,709 1,868,979 1,470,659 1,153,146 927,811 1,364,603 1,318,453 1,294,540

Net

1,418,608 1,117,371 1,073,432 892,979 819,957 1,033,740 1,017,578 1,001,553

* In 1968 a change was made in the method of accounting for deferred income tax credits.

